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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 003963

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SUBJECT: CROSS-STRAIT CHARTER FLIGHTS - PROGRESS POSSIBLE
IN DECEMBER

REF: A. TAIPEI 3581

- [1](#)B. TAIPEI 3439
- [1](#)C. TAIPEI 3210
- [1](#)D. TAIPEI 3147
- [1](#)E. TAIPEI 2991
- [1](#)F. TAIPEI 2376

Classified By: AIT ECONOMIC SECTION DEPUTY CHIEF TIMOTHY D. NEELY, REAS
ON 1.4 D

[1](#)1. (C) Summary: The airline executive who nominally leads cross-strait discussions on charter flights for Taiwan believes the two sides should be able to resolve in December all outstanding technical issues on cargo and weekend passenger charter flights. However, he said an announcement on charter flights would have to wait until an agreement is reached on further opening Taiwan to PRC tourists. In addition, losses for the ruling Democratic Progressive Party (DPP) in the December 9 mayoral in Taipei and Kaohsiung could further delay a deal on charter flights. End summary.

Resolution of Technical Issues Possible in December

[1](#)2. (C) Taipei Airlines Association (TAA) Chairman Tony C.C. Fan told AIT on November 22 that Taiwan and the PRC are close to resolving the outstanding technical issues for cross-strait cargo and weekend passenger charter flights. As chairman of TAA, Fan nominally leads cross-strait discussions on charter flights and acts as a primary channel of communication between the two sides. Fan is also chairman of TransAsia Airways. According to Fan, there will be no further progress on charter flight discussions until after the December 9 mayoral and city council elections in Taipei and Kaohsiung. However, Fan expects that within days of the election, a meeting will be held during which the two sides should be able to quickly resolve all remaining issues. Fan said the Taiwan authorities' attitude toward charter flights seemed to have changed in recent weeks, becoming more energized on the charter flight discussion process. MAC officials, he said, had previously shown little interest in his reports, but over the last few weeks they were trying to reach him almost every day.

13. (C) According to Fan, the two sides have already agreed on destinations for passenger and cargo flights. They have decided that weekend passenger flights will take place on Friday, Saturday and Sunday. Fan said each side would fly 12 roundtrip passenger flights per week. The two sides have decided that the flights will be open to all PRC and Taiwan passport holders, but not to foreigners.

Announcement Will Wait for Tourism Deal

14. (C) Despite encouraging progress on charter flights, Fan predicted there would be no announcement until the two sides have also reached an agreement on tourism. He pointed out that the PRC had recently indicated that an agreement on weekend passenger charters would be a precondition to an agreement on tourism. Fan detailed the history of various linkages drawn by both sides between cargo charters, weekend passenger charters and a tourism deal. With the PRC's latest move, Fan believes that the two sides will have to announce agreements on all three simultaneously.

15. (C) Fan professed he was not fully briefed on the status of tourism discussions. He noted that the Chen administration's appointment of a new Tourism Bureau Director General at the Ministry of Transportation and Communications had made the situation less clear. (Note: The Tourism Bureau Director General also serves as the chairman of the Taiwan Straits Tourism Association, which has been authorized to represent Taiwan in cross-Straits tourism negotiations. End note.) However, Fan said there had been recent progress on some issues, including

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procedures for issuing Taiwan travel documents in the PRC and offices for PRC travel agencies in Taiwan.

Comment - Don't Buy Your Ticket Yet

16. (C) In his role as chairman of TAA, Fan is at the center of cross-Straits charter flights discussions, and previous information he has given AIT on the status of technical discussions has proven accurate. However, as chairman of a struggling domestic airline he has a strong interest in the implementation of cross-Straits charters, which may color his assessment of the likelihood that an agreement is around the corner.

17. (C) In addition, the final decision on both sides will be a political one. The outcome of the December 9 mayoral elections could substantially alter the political calculus on both sides of the Strait. A major setback for the ruling Democratic Progressive Party (DPP), particularly the loss of both the Taipei and Kaohsiung mayoral races, would embarrass the Chen administration and could lead to high-level resignations. President Chen Shui-bian might respond to a defeat by turning back to his deep-Green pro-independence political base. The resignation of the more pragmatic Premier Su Tseng-chang could also be a blow to cross-Straits initiatives. Either outcome could further delay, if not derail, an agreement on charter flights, regardless of the status of technical issues.

YOUNG